



Radio Tuning Forecasts

Beyond a Decade of Digital Evolution and the Pandemic

February 2021

INTRODUCTION

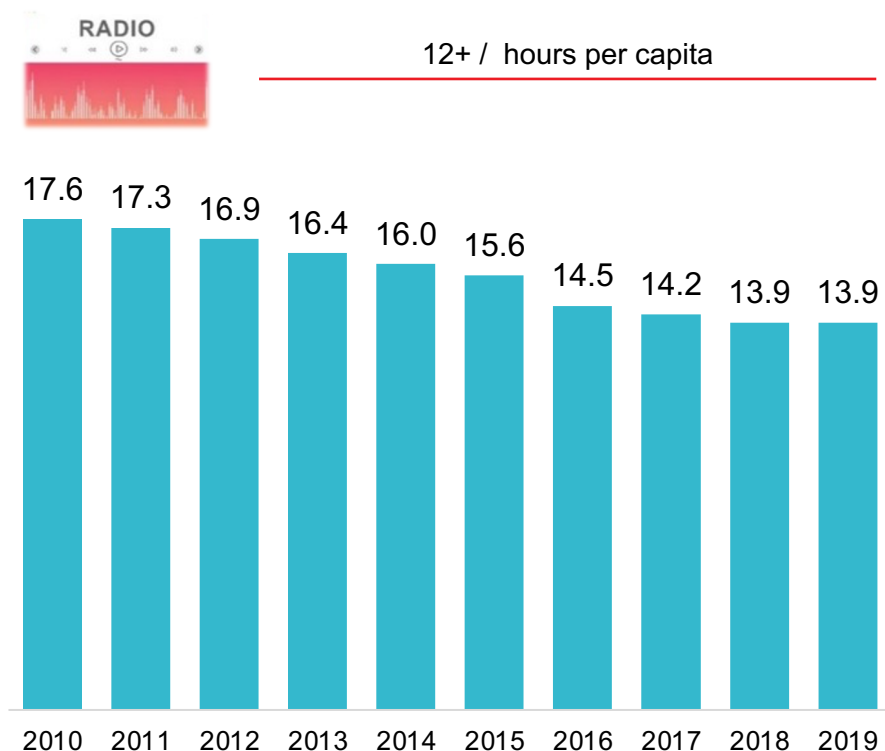
- Solutions Research Group Consultants Inc. (SRG) is pleased to present its forecasts for radio tuning for the 2020-2024 period
- To model tuning and establish supporting assumptions for its forecasts, SRG used three main primary and proprietary data sources:
 - 2010-2109 Fall diary tuning data and 2012-2020 PPM data provided by Radio Connects (from Numeris)
 - Digital Trendline Data from SRG's proprietary, Canada-wide syndicated Digital Life Canada studies covering nearly 50,000 interviews with Canadians aged 12+ over 10 years, topline summary of which is attached as Appendix I
 - An original study of 1,000 (aged 12+) Canadians in December 2020 entitled "Canadian Consumers and Radio: Lessons from COVID-19"

Key Findings



On a 10-year basis and prior to the pandemic, per capita hours tuned declined from 17.6 in 2010 to 13.9 by Fall 2019 (the last full diary prior to the pandemic)

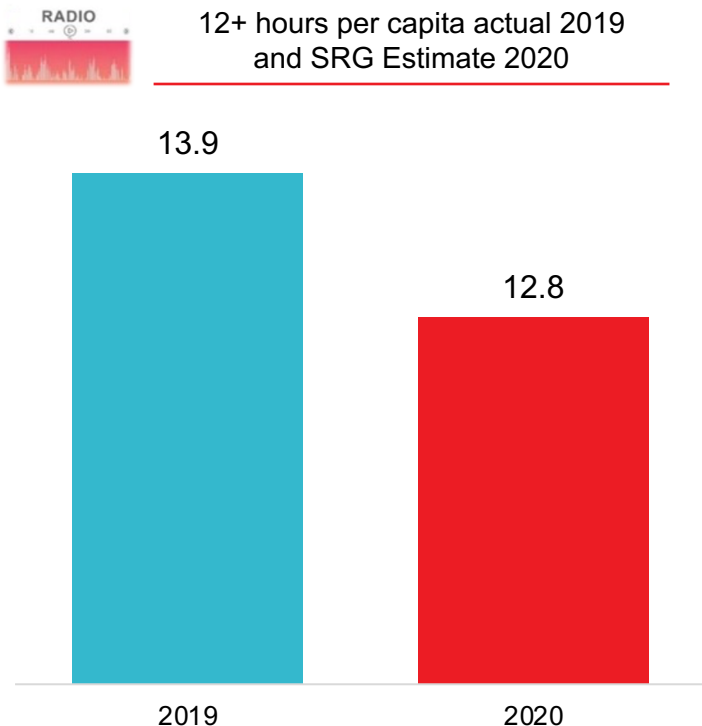
2010-2020 hours per capita trend



- In percentage terms, the decline was 21% over the 10-year span, equivalent to a gradual decline of 22 minutes a year
- Radio's reach also declined (Appendix II), but not at the same rate; according to the latest available diary data from 2019, radio reached 87% of Canadians 12+, down from a high of 94% in 2010
- As the trend data in Appendix I shows, this 10-year period saw rapid growth of smartphones, streaming video and social media which presented strong substitution and rivalry effects to radio and other media
- Radio is not the only medium or technology affected – we provide other examples of declines over a 10-year period in Appendix I, ranging from digital cameras and DVDs to cable/TV subscriptions

Source: Numeris / Radio Connects, Total Canada 12+ Diary, Mo-Su 5a-1a Fall 2010-2019

13.9 hours tuned per capita is a pre-pandemic metric; we estimate the relevant “diary-equivalent” hours tuned per capita to be 12.8 hours in 2020, down 1.1 hours or 8% below the 2019 figure

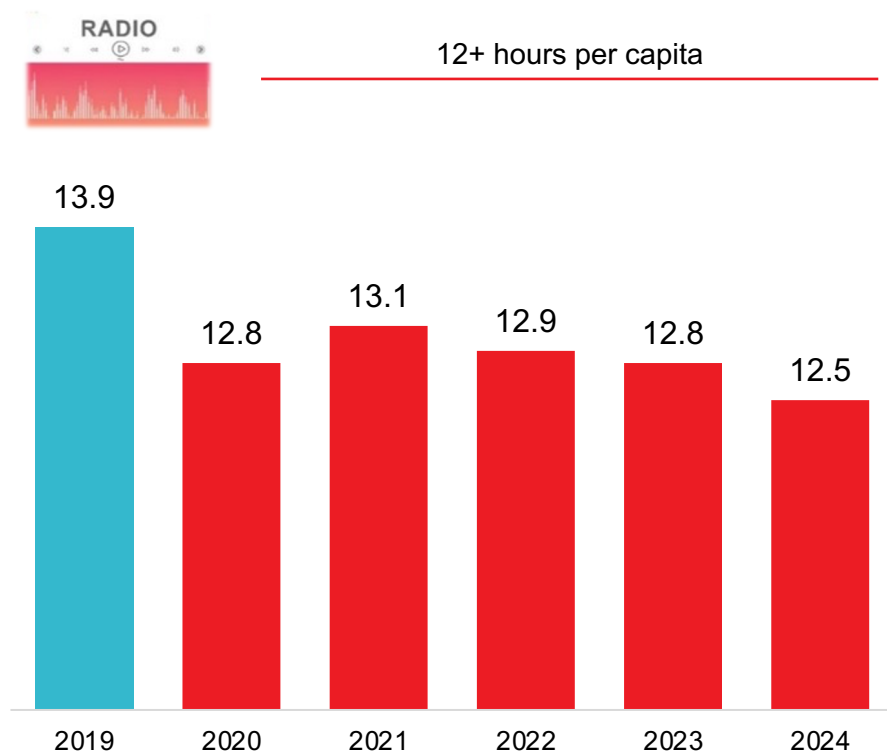


- 2020 estimate is very important – it provides a baseline for forecasts – there was no Numeris Fall Diary in 2020 due to the pandemic
- COVID-19 was a major disruptive force in 2020 with strong impact on radio and other media
- For radio, perhaps the biggest impact has been significant erosion of in-car tuning; while home tuning increased, this did not offset in-car losses, for example:
 - 2020 Fall 12+ PPM (Meter) data (Numeris) showed a decline of 7.5% in average hours per listener and a drop of 13% in daily (average) reach
 - SRG's interviews with 1,000 Canadians 12+ showed that the #1 difference consumers mentioned in terms of change in tuning was “listening less” due to less driving – 45% of those 18+ in the labour force are driving to work vs. 65% before
- We modeled the ‘diary-equivalent’ tuning per capita for 2020 shown on the left using two independent predictive algorithms: one modelled the relationship of PPM to Diary data over an 8-year period and the other modelled the relationship of hours tuned to digital trendlines shown in Appendix I over a 10-year period – both models generated very similar 2020 predictions that were within 0.1 hours of each other

Source for 2019 Numeris / Radio Connects, Total Canada 12+ Diary, Mo-Su 5a-1a Fall 2019-20 – Source for 2020: SRG Estimates

We are forecasting a recovery in 2021 from 2020 in terms of hours tuned followed by slight annual declines; we expect radio tuning to remain in the 12.9-12.5 hours per capita range between 2022-2024

2020-2024 per capita tuning forecast



- Our forecast model¹ assumes COVID-19 will not be as major a disruptive force as of 2022. However, 'return to normal' will be a gradual process, especially in the context of work from home/office per findings of December 2020 research
 - In-vehicle traffic will recover during the forecast period to 85% of baseline
 - Digital substitution and rivalry will continue to impact radio tuning
 - In addition to 'audio' substitutes, such as paid streaming audio, existing and new digital habits during the pandemic will continue to impact – for example:
 - **Existing**, e.g., Netflix, YouTube, Facebook, Video on smartphone
 - **New**, e.g., Zoom video, video fitness, e.g., Peloton, growing streaming and social media options (e.g., TikTok)

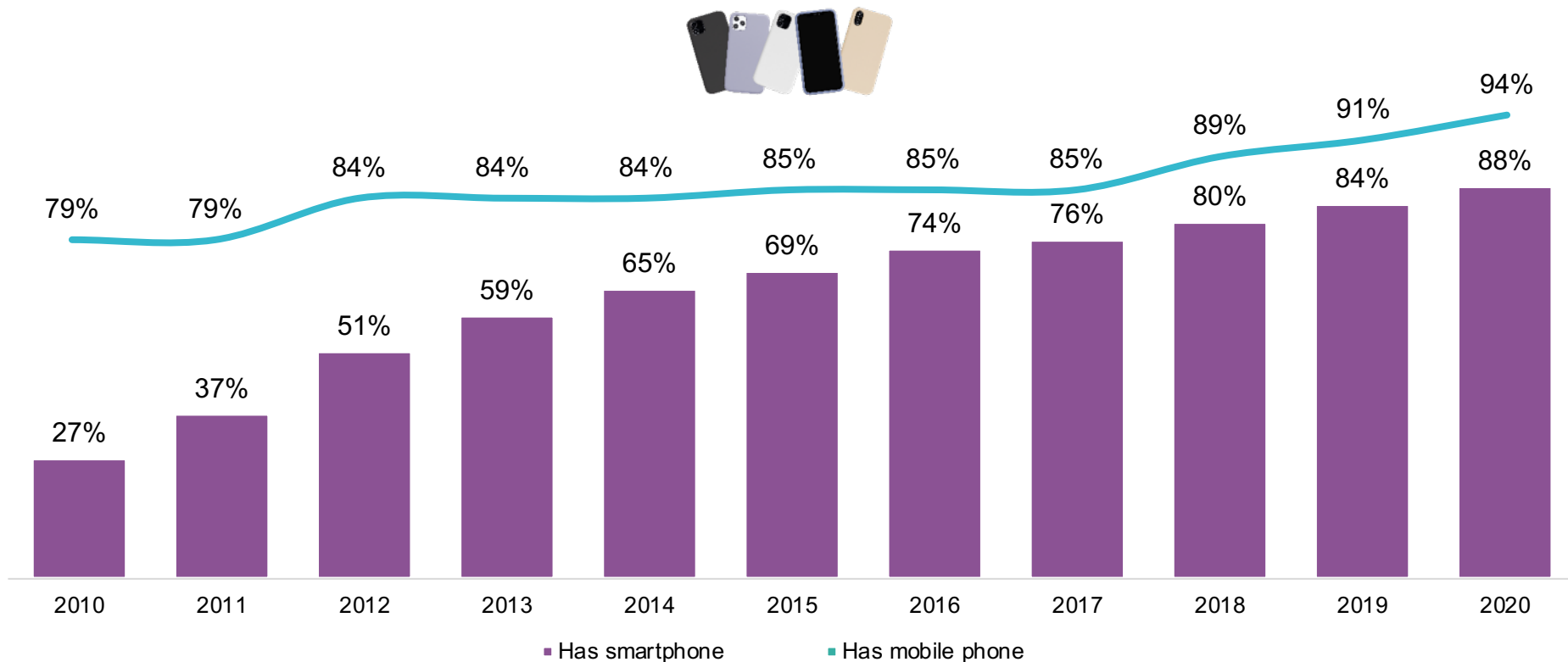
Source for 2019 Numeris / Radio Connects, Total Canada 12+ Diary, Mo-Su 5a-1a Fall 2019-20 – Source for 2020-2024: SRG Forecast based on ¹ Multi-attribute Predictive Modelling

Appendix I – Digital Trendline Data 2010-2020



Perhaps the biggest digital transformation of the last 10 years has been the rise of the smartphone – from 27% owning one in 2010 to nine-in-ten (88%) by 2020

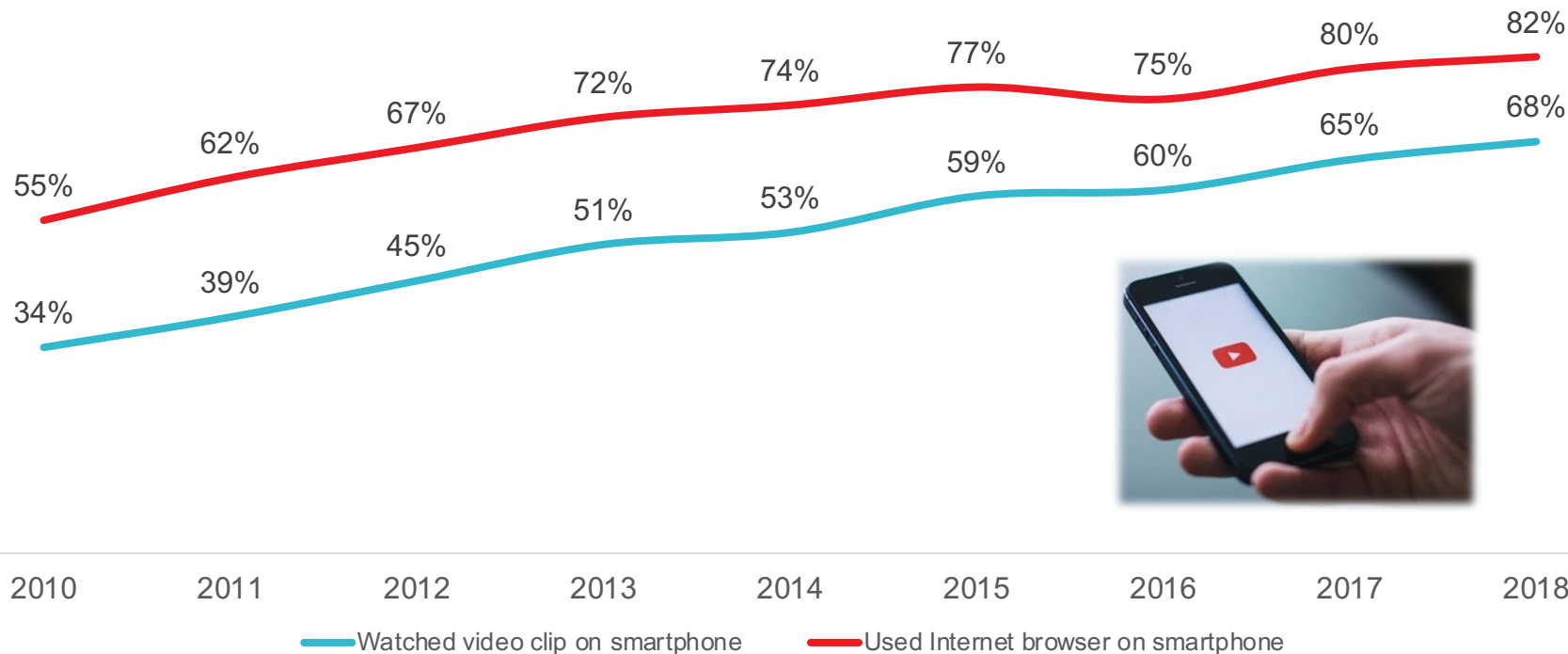
% have mobile phone / have smartphone



Source: SRG's Syndicated Digital Life Reports 2010-2020

Media consumption such as watching video on a smartphone went from minority behaviour in 2010 – 34% streaming at that time – to majority behaviour in less than a decade

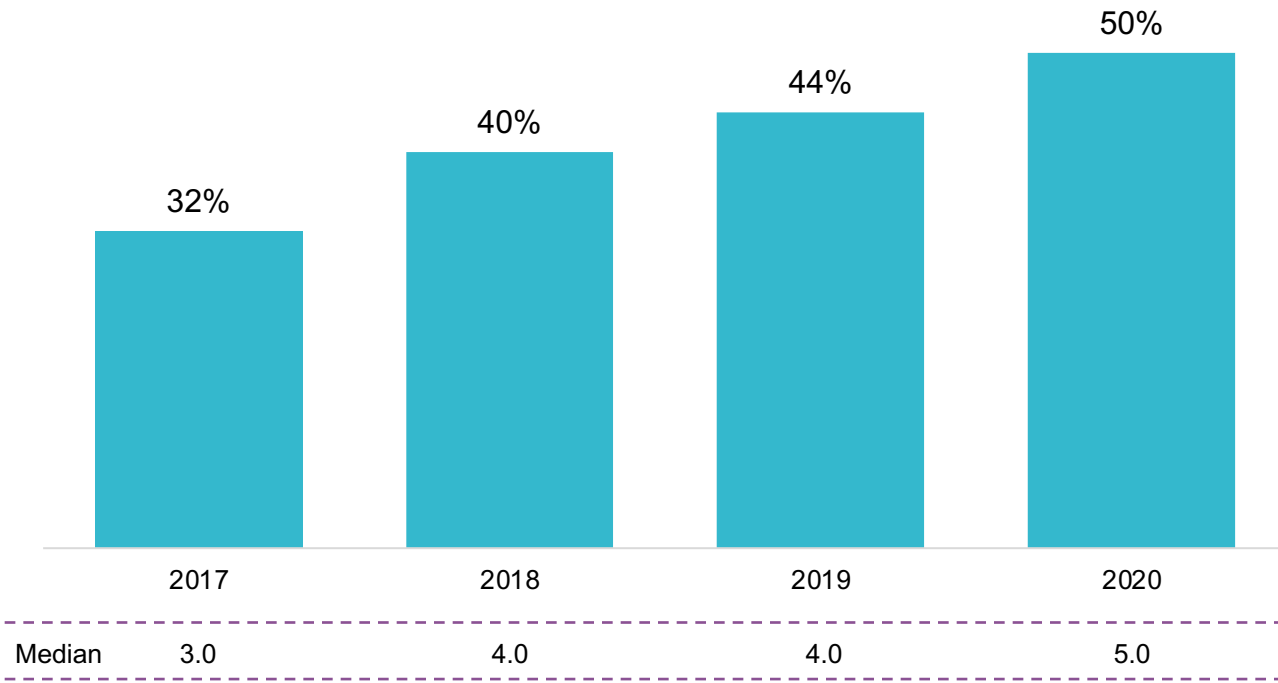
% watched video clip on smartphone / used Internet browser on smartphone



Source: SRG's Syndicated Digital Life Reports 2010-2018 (among those with smartphones)

Since 2017, mobile users are getting larger data plans giving them more options for rich media consumption on the go

Size of data plan and daily mobile phone habits - % who report having 5 GBs or more

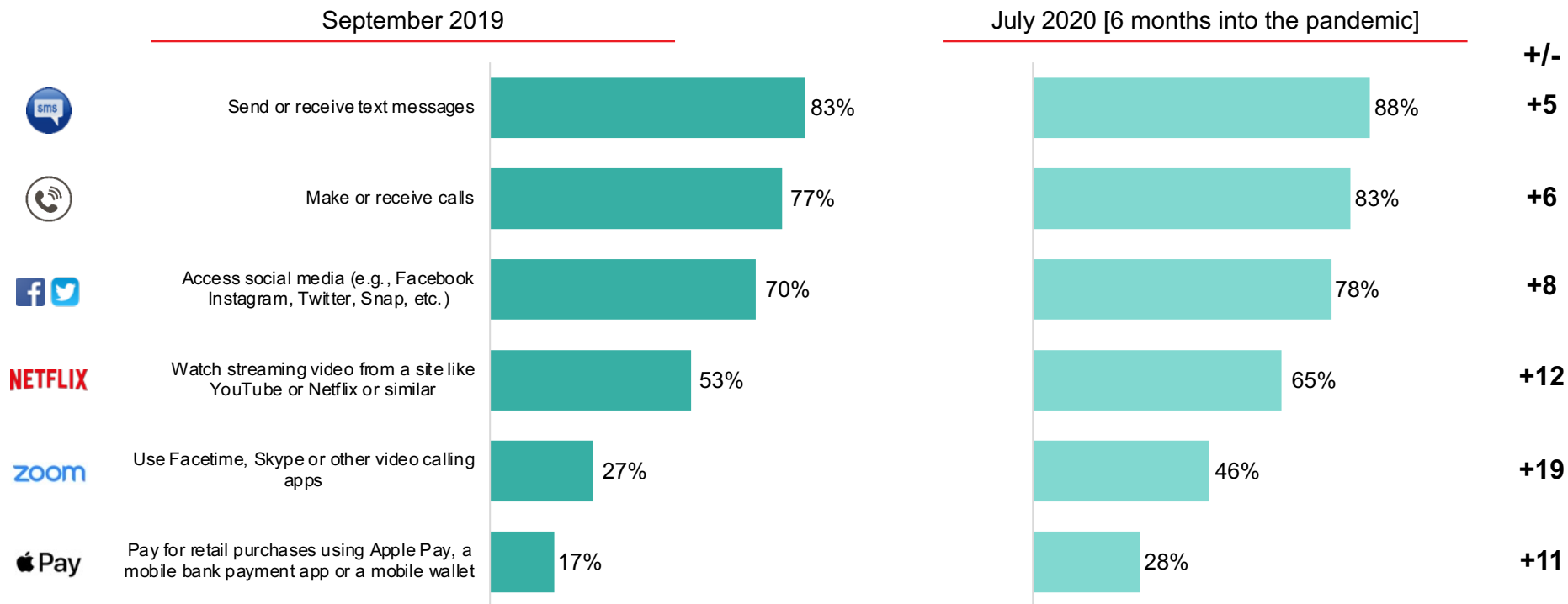


Source: SRG's Syndicated Digital Life Reports 2017-2020



More than two-thirds are using their mobile devices for social media and streaming – lockdowns in 2020 meant even more Canadians are using their mobile phones for these functions than ever before

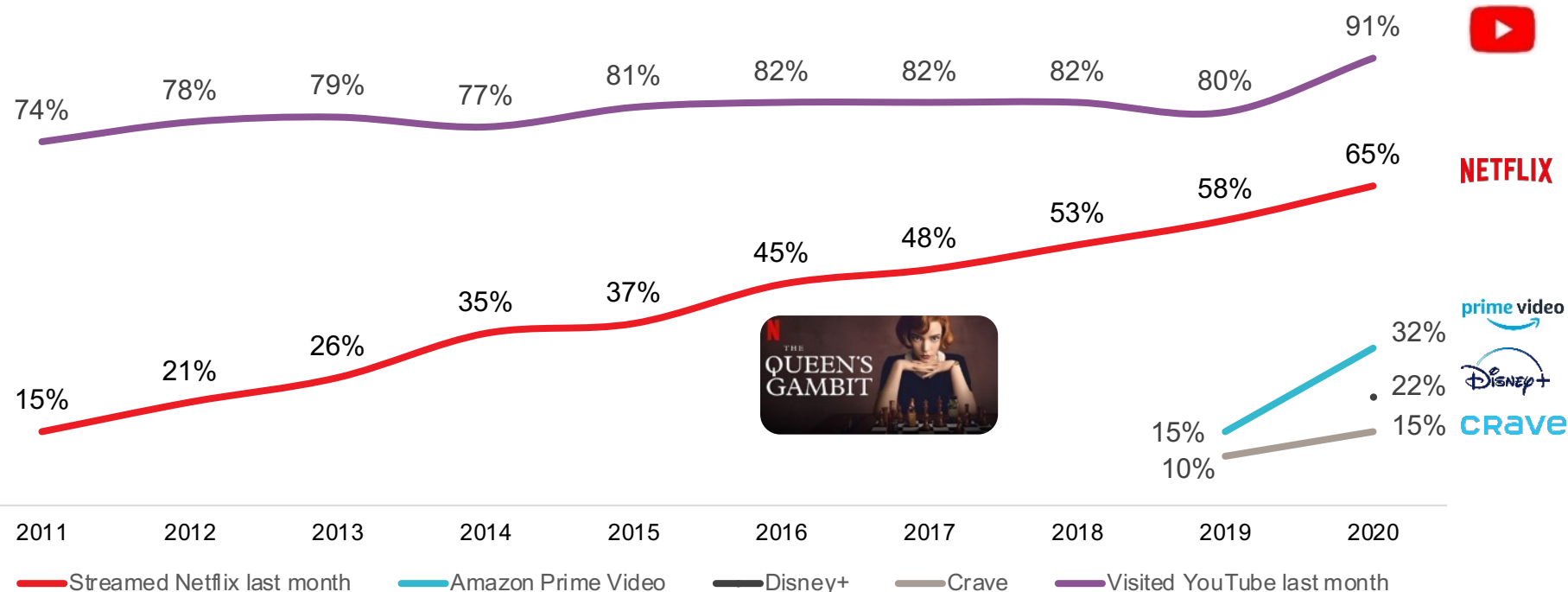
Mobile phone habits – % using/doing weekly September 2019 vs. July 2020



Source: SRG's Syndicated Digital Life Reports 2019-2020 (has mobile phone)

The second most significant trend of the decade has been the streaming revolution with Netflix being used by 65% in July 2020 (a big jump from 58% in 2019); Disney+ and Prime Video are also growing

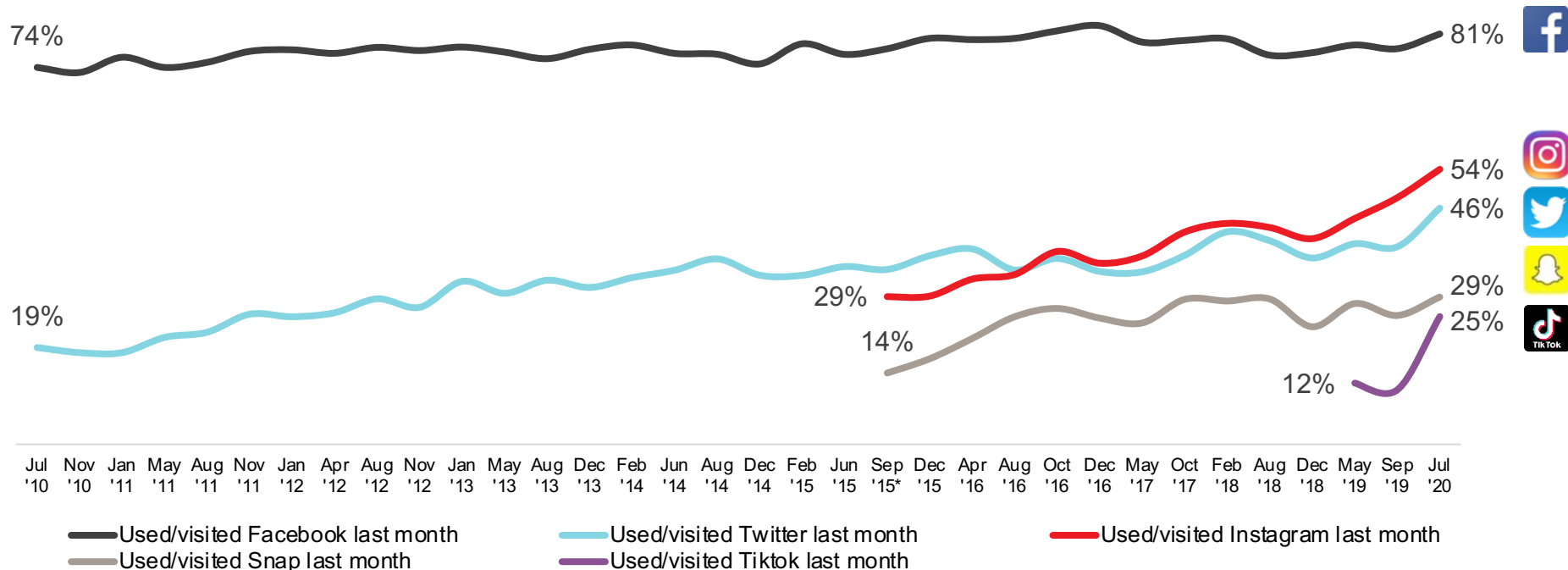
% streaming in the last month



Source: SRG's Syndicated Digital Life Reports 2011-2020

Almost all Canadians are using at least one social network; the second half of the decade, and especially the 2018-2020 period, has seen significant growth for Instagram, Twitter, Snap with, recently, TikTok doubling

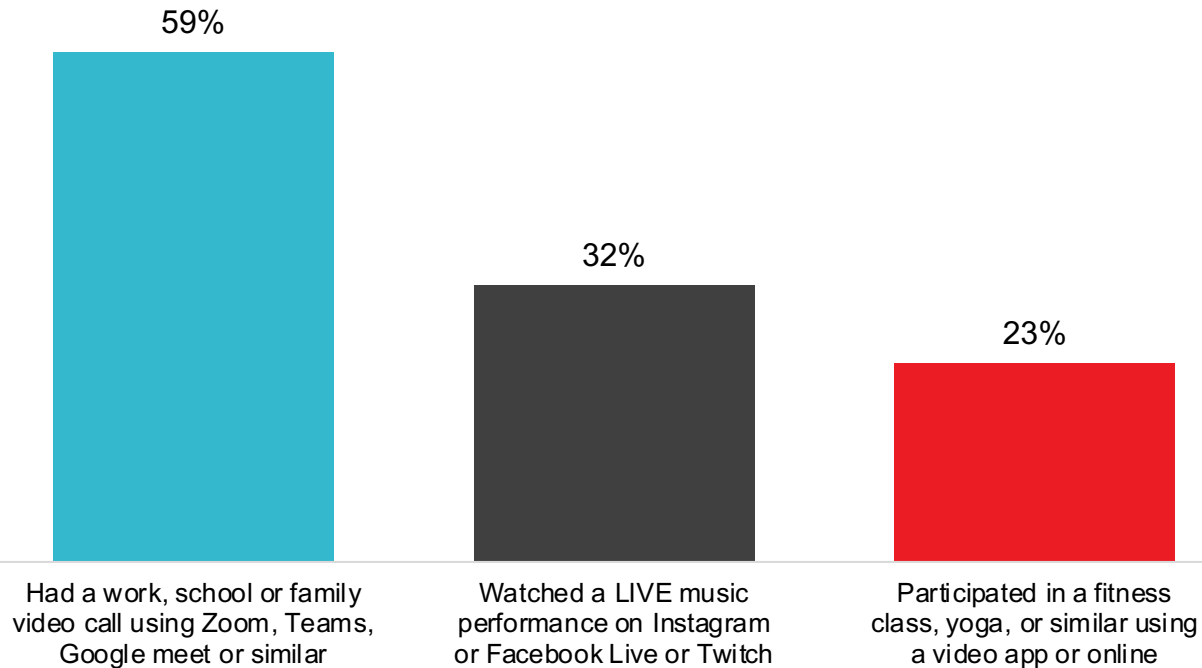
Social media – Canadian monthly user trends



Source: SRG's Syndicated Digital Life Reports 2010-2020

And the lockdown meant emergence of new digital behaviours

Participation frequency of Zoom-style video, watching live music performances, and online fitness classes - % monthly

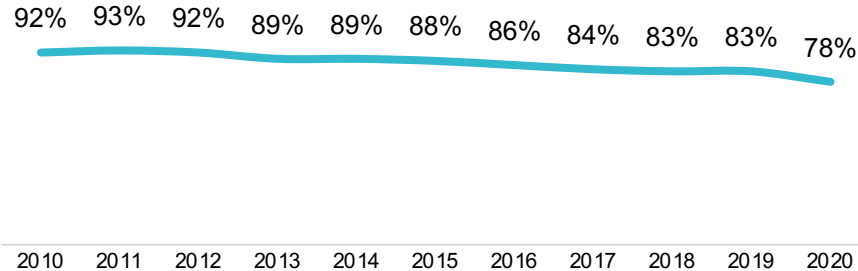


Source: SRG's Digital Trends Report July 2020

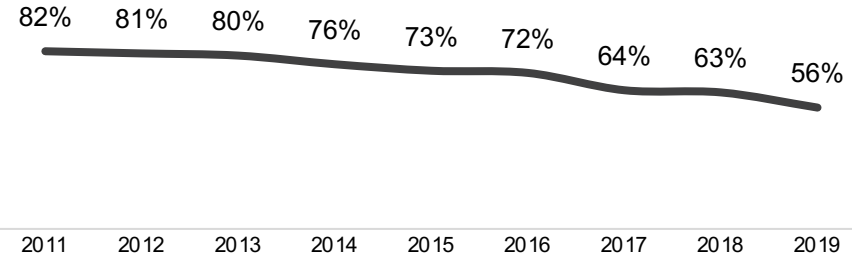
In the past decade, strong substitution and rivalry effects of smartphones, streaming and social media impacted a range of previously popular media and technology options, not just radio; some examples below

Torrent site visits last month, digital camera, paid TV in the household and DVDs purchased

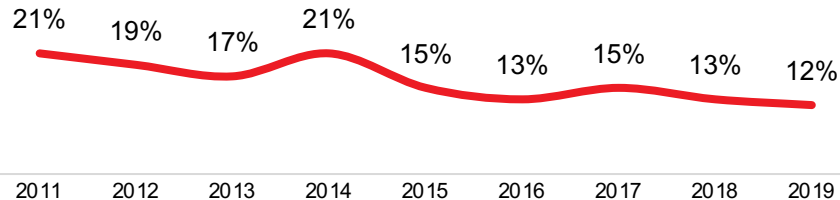
Online Households with paid TV



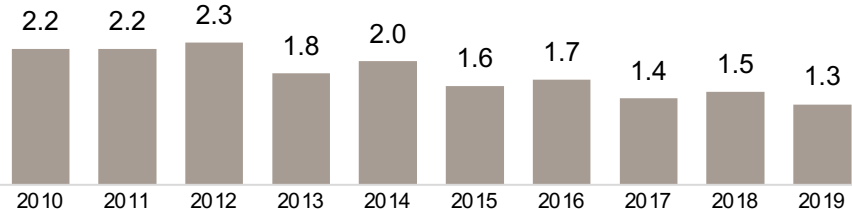
Owens Digital Camera



Torrent Sites / P2P – Last Month Visits



Average # of DVDs bought



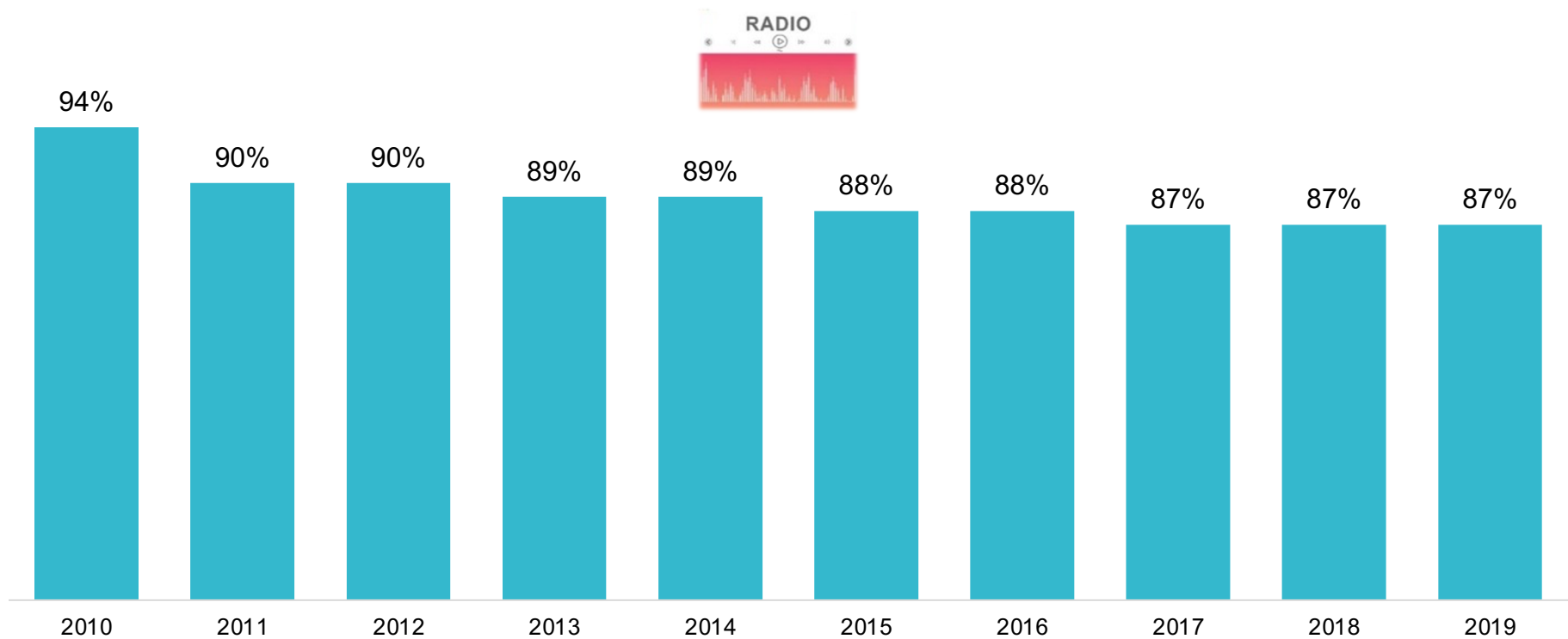
Source: SRG's Syndicated Digital Life Canada Reports 2010-2020

Appendix II – Additional radio Connects (Numeris) Radio Trend Data



According to diary data, radio's reach remains high, with little per capita decline in the last 5 years

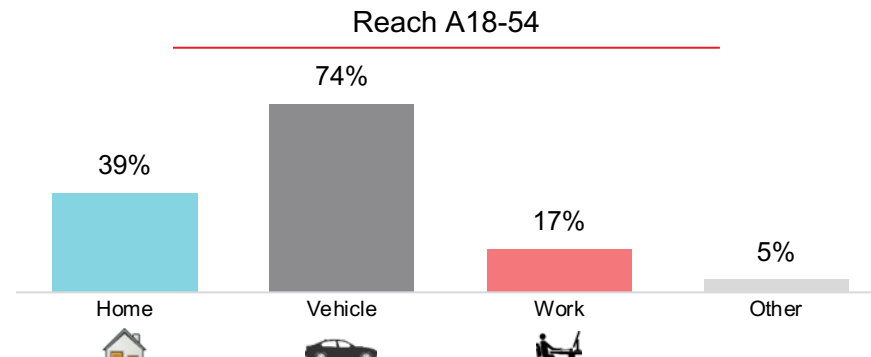
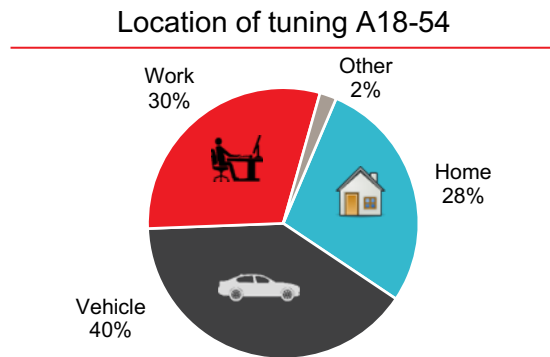
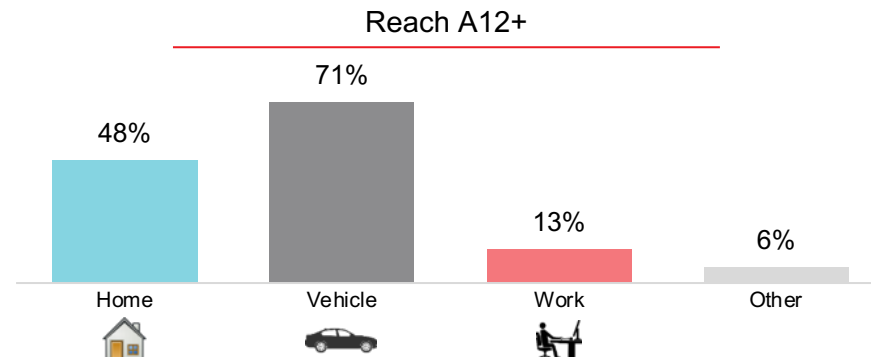
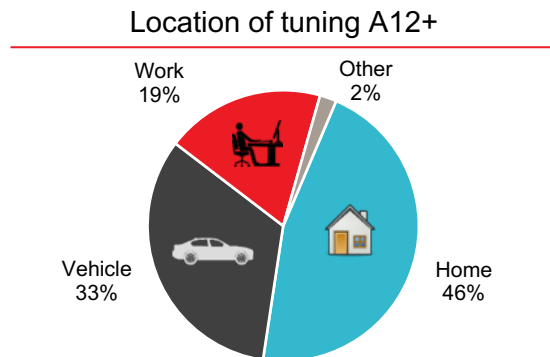
2010-2020 % Reach - A12+



Source: Numeris / Radio Connects, Total Canada 12+ Diary, Mo-Su 5a-1a Fall 2010-2019

One of the biggest factors influencing tuning projections is location of tuning – in the fall of 2019, radio reached 74% of A18-54s in their vehicle; in-car tuning accounted for 40% of tuning

2019 location of tuning and reach – 12+ & A18-54



Source: Numeris / Radio Connects, Total Canada 12+ Diary, Mo-Su 5a-1a Fall 2019

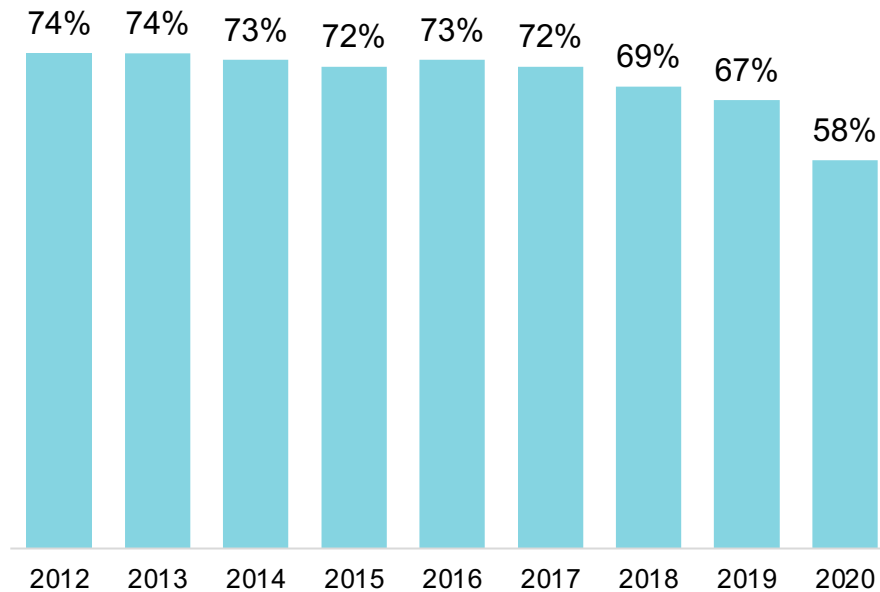
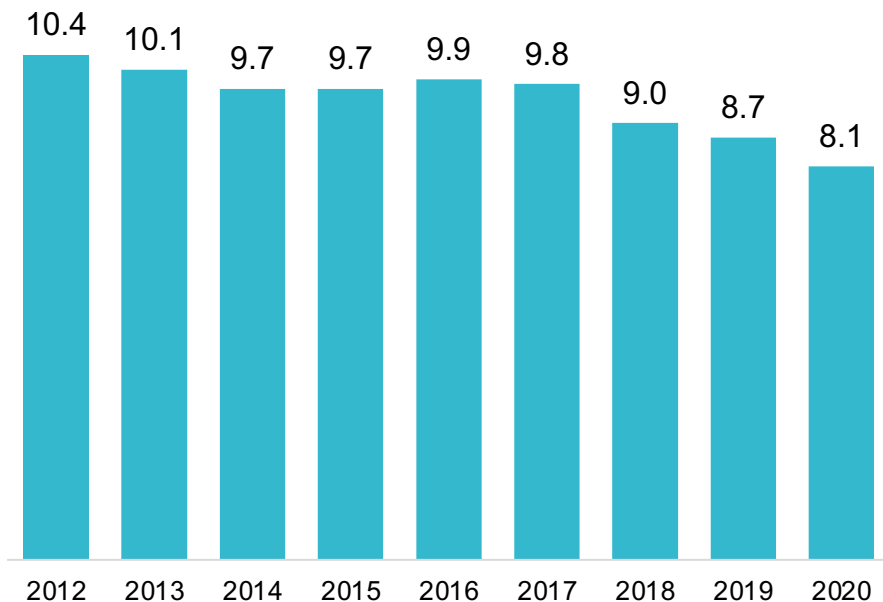
While the Fall radio diary for 2020 was not available due to COVID-19, PPM Fall 2020 data is a relevant proxy and provides one view on the differences – or the decline – between 2019 and 2020

A12+ tuning trend 2012-2020

Average hours per week per listener



% Tuned (Daily Average)



Source: Numeris / Radio Connects, Total PPM Meter CTRL, 12+ Diary, Mo-Su 5a-1a Fall 2012-2020